# Index

*ad valorem* tax equivalent 75
adverse selection 97, 245–246
AEO see Authorized Economic Operator
agency
costs 157, 229
theory 230
allocative
distortions 54
efficiency 54
altruistic trust, 70
Antràs, Pol 62, 190
appropriability hazards 192
asymmetric information see information asymmetry
asymmetric information products 156–157, 163
Authorized Economic Operator 226
B2B Relationship 226
balance of payments 28, 44
bankruptcy costs 157
barter
echange 15
prices 9
trade 9
behaviour
opportunistic see opportunistic behaviour
rational see rational behaviour
rent-seeking see rent-seeking behaviour
strategic see strategic behaviour
Belgium 21, 28–30, 32, 38, 42, 48, 173, 206, 251
benefits
direct see direct benefits
indirect see indirect benefits
societal see societal benefits
best practice standards 170–171
beta-plus 182
bilateral trade flows 117, 119–122, 125, 131, 140–142, 173
‘black box’ 23, 53, 62
blind trust 70–71
bonding costs 157, 228–230
bounded rationality 54–55
BRIC countries 4, 5, 21, 28, 141–142
calculative trust 69, 72–73, 256
‘chain economy’ 102
China 4, 5, 21, 28, 38–39, 46–47, 64, 117, 121, 130–133, 135, 137–141, 143, 154, 182, 206, 255
class goods 145, 151, 159, 164–165
club goods 96, 98, 201
collusion 104, 202
comparative advantage 1, 2, 8, 12, 15, 17–18, 28, 58, 60, 62, 82, 84, 87, 91, 126, 133, 137, 141, 145, 161
comparative contractual approach 56
competition policy 199, 202, 208
competitive transfer prices 50
collusion 104, 202
coercion-constraining institutions 64
cognitive dissonance 71
coordination efficiency of see efficiency of coordination
consumer surplus 4
direct see direct benefits
direct see indirect benefits
external see external compliance costs
internal see internal compliance costs
contact stage 64–65, 67
contract-enforcement institutions 64
contract stage 64–65
contractual hazards 57–58
control stage 64, 67
coordination efficiency of see efficiency of coordination

271
mechanism 53
method 54
cost(s) agency see agency costs
bankruptcy see bankruptcy costs
bonding see bonding costs
compliance see compliance costs
enforcement see enforcement costs
failure see failure costs
harmonization see harmonization costs
information see information costs
marginal see marginal costs
monitoring see monitoring costs
negotiation see negotiation costs
opportunity see opportunity costs
recurring see recurring costs
renegotiation see renegotiation costs
search see search costs
societal see societal costs
sunk see sunk costs
sunk development see sunk development costs
transformation see transformation costs
transition see transition costs
cost–benefit analysis 231
‘country branding’ 23
CPB (Netherlands Bureau for Economic Policy Analysis) 41, 130, 240–242
crowding-out effect 124
cultural differences 50, 66, 89, 93, 117, 125, 171, 191, 252
diversity 3, 6, 127, 252
deadweight loss 201
Denmark 29–30, 42, 125, 173
developed economies 251
differentiated goods 124, 137–140
differentiation horizontal see horizontal differentiation
product see product differentiation
direct benefits 247
cost of acquisition 77
effects 132
network externalities 155
discriminatory policy 220
distance indicator 117
distribution function 19–20, 26, 40, 42, 45–46
problem 15–17, 199, 236
division of labour 1, 4, 5, 12–13, 16, 17, 49, 51, 57, 61, 110, 161, 177–178, 184, 251–252
economic activity 2, 19–20, 23, 38–41, 79, 84, 121, 235, 252
economies of scale 12, 15, 53, 90, 147, 151, 153, 158, 161, 163, 170, 173, 219, 256
Edgeworth box 13–16, 53–54, 243
effect(s) crowding out see crowding out effects
direct see direct effects
external see external effects
indirect see indirect effects
labour-supply see labour-supply effects
lock-in see lock-in effects
productivity see productivity effects
relative-price see relative-price effects
reputation see reputation effects
scale see scale effects
spillover see spillover effects
substitution see substitution effects
efficiency of coordination 4
gains 13, 15, 16, 165, 223–224
everging economies 4–5, 142
markets 21–22
endowment 13–15
enforcement costs 157, 228
environmental innovation 20
EU Commission 173
ex ante transaction costs 67
excess inertia 155
excess momentum 155
executive hazards 55
experience products 55
experience products 156–157
ex post transaction costs 67
external compliance costs 228
effects 144, 153, 178, 198, 201, 205, 234–236
stakeholders 79
standards 149, 153–154, 158, 229
externalities
   negative see negative externalities
   positive see positive externalities
failure costs 107–108
FDI see Foreign Direct Investments
first-mover advantage 162–163
flexible standards 170–171
Foreign Direct Investments 17, 90–91, 94, 139–140, 199
   horizontal 91
   vertical 91
formal
   institutions 37, 52–53, 57, 72
   trust 69–71, 73, 124
   trust mechanism 71
free-rider problem 145
free-ridership 95–96, 151, 198, 207–209
function
   distribution see distribution function
   intermediation see intermediation function
   orchestration see orchestration function
   production see production function
fundamental uncertainty 65, 70
G2B relationship 226, 244–246, 250
   'game of trust' 49, 52, 63, 68–69, 73, 121, 127
generalized trust, 70
germany 22, 24, 28, 32, 42, 46, 125, 142, 173
globalization 1, 3, 5, 16–17, 21, 23, 34, 42, 50–51, 62, 79, 81–82, 84, 88, 95, 112, 121, 126, 130, 140, 146, 161, 174, 184, 199–200, 218, 251, 257
global outsourcing 4, 184
   'golden triangle' 57
   'gold plating' 172
goods
   club see club goods
   differentiated see differentiated goods
   homogeneous see homogeneous goods
   intermediate see intermediate goods
   private see private goods
   public see public goods
   reference priced see reference priced goods
   semi public see semi public goods
governance
   of the firm 4
   structure 4, 54, 230
government
effectiveness 120
failure 197, 230, 238
gavity
   equation 5, 76, 117–118, 121–122, 124, 131, 142–143
   model 117–120, 139
Greif, Avner 52, 62–64, 68, 71, 115
Grossman, Gene 58–59
harmonization costs 171
hazards
   appropriability see appropriability hazards
   contractual see contractual hazards
   executive see executive hazards
Helpman, Elhanan 53, 91, 118, 180
hierarchal coordination 53
hold-up 63, 94, 96, 126, 139, 244
   problem 94
homogeneous
   commodity 138
   goods 65, 124, 137–140
Hong Kong 38, 42, 46–47
   horizontal
differentiation 149
   transaction costs 13, 50, 89
   human capital 9, 12–13, 179
   hybrid forms of governance 50
   'hybrids' 91
ICT policy 108
IHC 95–100, 189–190, 192
in-between markets 91
incomplete
   contracts 55, 139, 180, 204–205, 230
   information 55, 57, 70, 82, 156–157, 220, 224
India 4, 8, 21, 28, 33, 128, 133–135, 141, 154, 182
indirect
   benefits 247
Managing transaction costs in the era of globalization

effects 132, 235
network externalities 155
industrial organization 49, 51, 62, 87, 102, 183, 193, 201, 254
informal
institutions 52
trust 70–73, 122, 124–126
trust mechanism 71
information
asymmetry 138, 198, 216, 227, 246
perfect see perfect information
information and communication
technology (ICT) 1, 2, 18, 61, 108–109, 126, 141, 145, 152, 162, 165–166, 209, 211, 234, 239
informational
complexity 55, 225
uncertainty 55
in-house offshoring 131, 140
innovation(s)
environmental see environmental innovations
institutional see institutional innovations
organizational see organizational innovations
technological see technological innovations
trade see trade innovations
institutional
innovations 105, 185
quality 118, 120–121, 132
institutions
coercion-constraining see coercion-constraining institutions
contract-enforcement see contract-enforcement institutions
formal see formal institutions
informal see informal institutions
insurance premium 100
intangible
capital 108
transaction costs 51
intermediate goods 133
intermediation function 128
internal
compliance costs 228
stakeholders 77
standards 149, 153
international
standards 132, 144, 163, 172, 175, 205, 214, 216
International Bureau for Fiscal Documentation 173
intra-company trade 13, 91
intra-firm relationship 51
intra-industry trade 61
Japan 21, 66, 131, 133, 135, 206
Kaizen 187, 191
Kaldor–Hicks improvement 237
knowledge
economy 3, 6, 179, 180, 218, 252
tacit see tacit knowledge
Krugman, Paul 90, 118
labour input 45, 58, 62
labour-supply effect 58
‘laken’ 7, 8, 109, 149, 160
Lean management 176, 183, 185–193
liberalism 34
location decision(s) 17, 28, 79, 89–90, 94, 112–113, 143, 193, 254–256
lock-in effects 167, 216
Luxembourg 30–32, 112
‘make or buy’ decision 89, 131, 140, 143, 177
mandatory standards 152, 156
marginal costs 165, 214, 219
market
mechanism 9, 50, 52–53, 64, 197, 199
matching zones 234, 242–243
mechanism
coordination see coordination mechanism
formal trust see formal trust mechanism
informal trust see informal trust mechanism
market see market mechanism
pseudo-market see pseudo-market mechanism
reputation see reputation mechanism
Ménard, Claude xi, 57, 91, 100, 121
mercantilism 8, 52
model
  gravity see gravity model
  polder see 'polder model'
  standard costs see Standard Cost Model (SCM)
modern trade theory 5
monitoring costs 67, 157, 228–230
moral
  hazard 97, 100
  trust 70, 72–73
MSD 154, 158
Muda 186
Mura 186
Muri 186, 194
mutual trust 52, 55, 121–122, 126–127
Nash equilibrium 69, 198
negative
  externalities 6, 20, 179, 198, 212–213, 235, 238–239
  trade balance 130
negotiation costs 171
network externalities
  direct see direct network externalities
  indirect see indirect network externalities
new institutional economics 4, 5, 51, 56–57, 62, 64, 82, 90, 143, 183, 193, 197, 204, 253
North, Douglas 32, 52–54, 57, 74, 128, 183, 253
OECD 118–119, 132, 142, 178, 205–206, 239, 244
offshore finance 112
offshoring 5, 59, 60, 84, 90, 94, 130–131, 139–140, 177
in-house see in-house offshoring
outsourced see outsourced offshoring
open standards 145, 209, 252
opportunistic behaviour 55–57, 63, 69, 82, 139, 220, 222, 224
opportunity costs 55, 169, 223
orchestration
  economy 2, 18
  function 88, 96, 99, 102, 109–110, 178, 180, 200, 202
  of production 84, 89, 92, 254
organization
  innovations 87
organization of production 2, 4–6, 61, 62, 74, 89, 176–177, 179, 186–188, 190–191, 193–194, 199, 201, 206, 225, 251–252, 253, 256
outsourced offshoring 131, 133, 140
global see global outsourcing
Pareto
  improvement 14–15, 236, 243
  optimum outcome 15
perfect information 57, 197
perfectly contestable markets 55
personnel policy 108
  'picking winners' 6, 217, 219
  'polder model' 8, 190, 226, 240, 241
policy
  competition see competition policy
  discriminatory see discriminatory policy
ICT see ICT policy
innovation see innovation policy
personnel see personnel policy
product see product policy
strategic see strategic policy
uniform see uniform policy
pooling equilibrium 220–221
Porter hypothesis 20
positive externalities 6, 46, 73, 81, 109, 126, 176, 179, 196, 200–202, 224–225, 238, 249
trade balance 29
preferential trade agreements 143
price elasticity of demand 91
principal/agent contracts 229
principal/agent relationship 226–229, 242–243, 256
prisoner’s dilemma 63, 69–70, 127, 198, 208
private goods 165
information 220
standards 148, 152, 211, 214
problem distribution see distribution problem
redistribution see redistribution problem
process standards 144, 148, 152–153
procurement 2, 49, 76–79, 81–82, 102, 108, 143, 192, 194
producer surplus 199
product differentiation 118, 149, 151, 170, 213
policy 108
standards 143
production chain 1, 2, 5, 17–18, 49, 82, 84, 87–90, 95, 102, 107, 110, 130, 176, 178, 180, 186, 189–190, 193–194, 201, 204, 206, 209, 211, 256
fragmentation 1, 2, 4, 12, 17–19, 21, 26–27, 42, 49, 51, 58, 61–62, 74, 84, 87–88, 130, 141, 144, 161, 176, 180, 199–200, 202, 205, 252, 254
orchestration of see orchestration of production
organization see organization of production
efficiency 139, 152
function 23, 62, 93, 177
productivity
- effect 58
gains 53, 91–92, 95, 108, 110, 183, 199, 201
improvements 16, 221
products
asymmetric information see asymmetric information products
experience see experience products
symmetric information see symmetric information products
pro memori (pm) post 235
property rights 13, 16, 50, 56–58, 64, 91, 94, 118, 120–121, 170, 180, 200, 212, 215
approach 56
pseudo-market mechanism 50
public goods 120, 127, 196, 198, 200, 205, 226
sector economics 6, 196, 226
standards 152, 164
purchasing power 16
quality standards 8, 144, 160, 187, 239
rational behaviour 72–73, 80–82, 156
rationality
bounded see bounded rationality
unbounded see unbounded rationality
recurring costs 77
redistribution
argument 197, 199, 205
problem 15
re-exports 21, 28, 39–42, 44–48, 131–132, 139, 140
reference priced goods 137
regulatory quality 120
relationship
B2B see B2B relationship
G2B see G2B relationship
intrafirm see intrafirm relationship
principal/agent see principal/agent relationship
trade see trade relationship
relative-price effect 58
relocation 50, 90–91, 98, 183, 194
Rembrandt 7, 128, 149, 160, 240
renegotiation costs 157
rent-seeking behaviour 220–221
reputation
effects 69, 72, 226, 247–250
mechanism 70
requisition to pay 79
research and development (R&D)
142, 158, 168, 176–181, 200–202,
219–225
residual loss 157, 229, 256
Ricardian trade theory 12, 60, 135
right first time 191
risk
averse 100
diversification 100
management 3, 246–247
Rossi-Hansberg, Esteban 17, 58–59,
62, 92, 190
rule of law 120
safety standards 151
scale effects 73, 87, 90, 115
search costs 13, 51, 90, 139, 157,
217
'second best' solution 198
selective intervention 54
semi public goods 198
separating equilibrium 220–221
Shell 38, 80, 109, 152
Singapore 21–22, 33–34, 36–38, 42,
46–48, 119, 251
Six sigma 187
social
capital 70, 200
coordination problems 71
innovations 95, 178
responsibility 80
welfare 15, 100, 197, 208, 236
socially-oriented trust 70
societal
benefits 205, 250
cost 46, 229
soft transaction costs 19, 46, 50–52,
76–77, 113, 117–118, 120–121,
171, 194, 209, 210, 214, 228, 231,
247, 255
sourcing strategy 79
specialization 1, 2, 4, 5, 12–18, 21, 49,
53, 61, 73, 87–90, 95–96, 103–106,
110, 144–145, 150, 161, 170, 205,
252
spillover effects 3, 179, 223–224
spillovers 177
stage
contact see contact stage
contract see contract stage
control see control stage
stakeholders
external see external stakeholders
internal see internal stakeholders
standard(s)
best practice see best practice standards
e external see external standards
flexible see flexible standards
internal see internal standards
international see international standards
mandatory see mandatory standards
open see open standards
private see private standards
process see process standards
product see product standards
public see public standards
quality see quality standards
safety see safety standards
voluntary see voluntary standards
Standard Cost Model (SCM) 229
standardization 5, 6, 56, 61, 145, 147,
149, 154–155, 157–159, 161, 165,
168–171, 173, 176, 188–189, 205,
207–208, 211–212, 214–217, 239,
248, 255–256
strategic
alliances 50, 94, 189, 192
behaviour 55, 234
policy 77
subcontractors 5, 17, 84, 94–95, 97,
102–105, 108, 190
substitution effects 124
sunk costs 55, 67, 145, 158, 167, 174,
247, 255
sunk development costs 168
supply base 189
supply chain management (SCM) 2,
12, 18–19, 40, 46, 50, 196, 205,
208–211
supply networks 3
surplus
balance see balance surplus
consumer see consumer surplus
producer see producer surplus
Managing transaction costs in the era of globalization

Switzerland 21–22, 30, 32–33, 38, 48, 122, 206, 251

symmetric information products 156
tacit knowledge 3, 209
technological innovation 20
progress 87, 176, 179, 181, 215
terms of trade 59
Tinbergen, Jan 117, 240–242
total cost
of acquisition 77
of ownership 77
trade
capital 108
deficit 21
flows 117
hub 21, 119
innovations 6, 176–178, 185, 225
international see international trade
intra-company see intra-company trade
intra-industry see intra-industry trade
policy 6, 205, 224, 252
relationship 56, 73, 126, 128
surplus 21, 38
trade balance
negative see negative trade balance
positive see positive trade balance
trade in products 1
trade in tasks 1, 5, 17, 58–61, 92, 99, 115, 121, 131–133, 140–141, 184, 252, 254
transaction
innovations 6, 92, 176–178, 195
-orientation 29, 143
transaction cost management 1, 3

transaction costs
ex ante see ex ante transaction costs
ex post see ex post transaction costs
hard see hard transaction costs
horizontal see horizontal transaction costs
intangible see intangible transaction costs
soft see soft transaction costs
vertical see vertical transaction costs
transformation costs 54
transit
goods 39
trade 21, 39–40, 42, 44, 47, 132
transition costs 93, 108, 167, 174, 191, 256
Trefler, Daniel 13, 60, 126
trust
altruistic see altruistic trust
blind see blind trust
calculative see calculative trust
formal see formal trust
generalized see generalized trust
informal see informal trust
moral see moral trust
mutual see mutual trust
socially-oriented see socially-oriented trust
unbounded rationality 57
uncertainty
fundamental see fundamental uncertainty
informational see informational uncertainty
uniform policy 219–220, 223–224
value
added 39, 41, 48, 74, 103, 114
chain 19, 185–186
creation 1, 3–4, 6, 8, 48, 74, 95, 122, 141, 144, 185, 190, 199, 254, 257
stream mapping 186
verification problems 65, 124
vertical transaction costs 13, 49, 89, 227, 230, 255
voice and accountability 120
voluntary standards 148, 150
<table>
<thead>
<tr>
<th>Index</th>
<th>279</th>
</tr>
</thead>
<tbody>
<tr>
<td>consumer welfare</td>
<td>social see social welfare</td>
</tr>
<tr>
<td>improvement 220</td>
<td>Williamson, Oliver 53, 55–57, 69–71, 183, 188, 230, 253</td>
</tr>
<tr>
<td>World Bank 119–121</td>
<td>XBRL 147, 150–151, 158–159, 250</td>
</tr>
</tbody>
</table>